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SUBJECT: MARCH 4 VISIT TO ECUADOR OF ADOLFO FRANCO, AA/LAC
AND MARGARITA GUERRA, AA/LAC SPECIAL ASSISTANT

1. SUMMARY: ADOLFO FRANCO, USAID ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN, AND MARGARITA GUERRA, SPECIAL ASSISTANT, VISITED QUITO ON MARCH 4 TO MEET WITH U.S. MISSION MANAGEMENT TO DISCUSS LAC PRIORITIES AND USAIDS PROGRAM IN ECUADOR. HIS VISIT INCLUDED EVENTS WITH PARTNERS, MEETINGS WITH SENIOR MISSION STAFF, AND A RADIO INTERVIEW. MR. FRANCO AND AMBASSADOR KENNEY WERE PLEASED WITH THE OUTCOME OF HIS VISIT AND LAUDED USAID/ECUADOR FOR ITS EXCELLENT MANAGEMENT OF THE PROGRAM IN THESE CHALLENGING TIMES. END SUMMARY

2. THE DAYS EVENTS INCLUDED IN-DEPTH BRIEFINGS BY SENIOR R MISSION STAFF OF NEAR TERM ISSUES AFFECTING PROGRAM HORIZONS. THESE INCLUDED HEARING ABOUT POSSIBLE CONSEQUENCES AND IMPLEMENTATION OF NETHERCUTT AMENDMENT IN FY05, POTENTIAL TRAFFICKING IN PERSONS SANCTIONS IN FY06, FULFILLMENT OF FUNDING OF THE SOUTHERN BORDER PROGRAM, RECENTLY ANNOUNCED OE AND ACI BUDGET REDUCTIONS AS WELL AS FSN RETIREMENT CONCERNS. THE BALANCE OF THE DISCUSSIONS FOCUSED ON SITUATION UPDATES IN THE GALAPAGOS AND GROWING CONCERNS ON THREATS TO POLITICAL STABILITY IN ECUADOR. THROUGH THE COURSE OF THE DAY, AMBASSADOR KENNEY AND COUNTRY TEAM SECTION CHIEFS EMPHASIZED THE EXCELLENT COORDINATION AND INTEGRATION OF USAID ACTIVITIES WITH THE REST OF THE COUNTRY TEAM.

3. U.S. MISSION OUTLINED ITS MAJOR TOPICS OF CONCERN AFFECTING ITS DEVELOPMENT AGENDA. OUR MESSAGE CONTINUES TO BE SUPPORT FOR ECUADORS DEMOCRACY. WE FOCUS ON INSTITUTIONS, DEMOCRATIC VALUES AND PROCESSES NOT PERSONS. MISSION ALSO COMMENTED ON ITS CONCERN ABOUT THE INDEPENDENCE OF THE SUPREME COURT. A THOROUGH DISCUSSION ENSUED ON ARTICLE 98. MR. FRANCO STRESSED THE IMPORTANCE OF SPEAKING WITH A SINGLE USG VOICE ON ALL FOREIGN POLICY PRIORITY AREAS. HE NOTED THAT NETHERCUTT SANCTIONS COULD DIMINISH THE EFFECTIVENESS OF OUR EFFORTS, BUT IT IS CLEAR THE USG POSITION CONTINUES TO BE THAT THE GOE SHOULD SIGN ARTICLE 98. THE MISSION PROVIDED AN OUTLINE OF ITS PROPOSED APPROACH FOR FY05 WHEREIN ESF WOULD BE DISBURSED THROUGH OUR CURRENT AGREEMENTS AND CONTRACTS, TO THE BENEFIT OF THE PRIVATE SECTOR, CIVIL SOCIETY ORGANIZATIONS AND THE GENERAL POPULATION.

4. CONCERNING ONE WAY FREE TRADE AGREEMENT DISCUSSIONS, NEGOTIATION ROUNDS HAVE SHOWN PROGRESS. WHILE NEARING THE FINAL ROUNDS, THE ECUADORIAN AND USG TEAMS ARE GETTING DOWN TO THE THORNIER ISSUES (INCLUDING LABOR, AGRICULTURE, AND ENVIRONMENT ETC.)

5. MR. FRANCO, THE AMBASSADOR AND THE ACTING AID DIRECTOR PARTICIPATED IN THE DELIVERY OF MICRO-CREDIT LOANS TO TWENTY WOMEN-OWNED MICRO-ENTERPRISES IN QUITO BY FINCA, A REGULATED FINANCE COMPANY THAT WAS FORMERLY FINANCED BY USAID. THE BENEFICIARIES GAVE STRONG TESTIMONIALS ON THE BENEFITS OF THE LOANS AND EXCELLENT VIDEO FOOTAGE WAS CAPTURED OF THE EVENT. FRANCOS VISIT DEMONSTRATED THE DESIRE AND THE INTEREST OF THE USG TO CONTINUE COOPERATING WITH THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE COUNTRY. IN ADDITION, USAID/ECUADOR WILL ASSESS THE OPTION OF PROVIDING A DCA TO GUARANTEE THE ISSUANCE OF BONDS IN THE CAPITAL MARKET TO SUPPORT FINCAS EXPANSION.

6. FOLLOWING AN INVITATION FROM MR. FRANCO TO ECUADOR, AIDS RESPONSIBILITY PROJECT (ARP) REPRESENTATIVES RICH TAFEL AND MICHAEL ARONOWITZ SUMMARIZED A HIGHLY SUCCESSFUL PROGRAM THAT ARP HAS IN MEXICO. PARTICULAR SUCCESSSES IN ENGAGING UNITED STATES AND MEXICAN CORPORATIONS IN DEVELOPING AND IMPLEMENTING HIV/AIDS HIRING AND EMPLOYMENT POLICIES WERE HIGHLIGHTED. THE AMBASSADOR AND MR. FRANCO ENDORSED THE IDEA OF TAKING A GRADUAL APPROACH OF ARP

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ENGAGING PRIVATE SECTOR, NGOS AND THE GOE. THE U.S. MISSIONS FOREIGN COMMERCIAL SERVICE IS TO ARRANGE MEETINGS WITH THE GUAYAQUIL AND QUITO CHAMBERS OF COMMERCE AS A STARTING POINT. FOLLOWING ASSESSMENT/INTERVIEWS, A POSSIBLE PROGRAM MAY BE DEVELOPED TO INITIATE AN HIV/AIDS AWARENESS/EMPLOYMENT POLICY ACTIVITY TOGETHER WITH LOCAL BUSINESSES. AA/LAC AGREED HE WOULD EXPLORE OTHER LAC BUREAU RESOURCES TO FUND SUCH AN INITIATIVE. MISSION WILL COORDINATE FOLLOW ON WITH USAID/MEXICO AND FUTURES GROUP PROGRAM TO LEARN MORE ABOUT COORDINATING FUTURE ACTIVITY.

17. MR. FRANCO WAS INTERVIEWED BY RADIO QUITO ON USAID ASSISTANCE TO LATIN AMERICA. HE WAS OPTIMISTIC ABOUT THE SITUATION IN LAC AND PUBLICLY NOTED THAT ALL BUT ONE COUNTRY IN LAC HAVE A FREELY ELECTED GOVERNMENT - CUBA BEING THE EXCEPTION. MR. FRANCO REITERATED THE USG CONCERNS FOR THE GOVERNANCE SITUATION IN ECUADOR, BUT SAID HE IS OPTIMISTIC THAT THE GOE, CIVIL SOCIETY AND PEOPLE WILL FIND A SOLUTION. AT THE SAME TIME HE CLARIFIED THE USG SUPPORTS DEMOCRACY, NOT DICTATORS.

18. AT THE TOWN HALL MEETING WITH USAID STAFF AMBASSADOR KENNEY AND DCM CHACON THANKED MR. FRANCO FOR HIS VISIT AND PRAISED AGAIN THE MISSIONS OUTSTANDING WORK, PARTICULARLY ON FTA, GALAPAGOS AND NORTHERN BORDER. RESPONDING TO A CONCERN RAISED, MR. FRANCO INVITED THE MISSION TO CLEARLY DEFINE THE STATUS AND EXTENT OF THE ISSUE AFFECTING FSN RETIREMENT BENEFITS. ACTING AID DIRECTOR CONFIRMED HE WOULD COMMUNICATE THIS CONCERN DIRECTLY TO MR. FRANCO UNDER SEPARATE COVER. MR. FRANCO SAID HE WOULD RAISE THIS ISSUE WITH DEPUTY ADMINISTRATOR SCHIECK AS PART OF AN INTER-AGENCY POLICY GROUP MEETING THIS COMING WEEK.

19. THE DAYS EVENTS CONCLUDED WITH A WIDELY ATTENDED RECEPTION IN HONOR OF MR. FRANCO. APPROXIMATELY 75 ECUADORIAN OFFICIALS, BUSINESS AND CIVIL SOCIETY LEADERS, PRESS LEADERS, IMPLEMENTING USAID ORGANIZATION LEADERS, AND U.S. MISSION OFFICERS WERE PRESENT. THE EVENT WAS SEEN AS A HUGE SUCCESS AND ENABLED CONTACTS BETWEEN PRIVATE E SECTOR AND PUBLIC SECTOR ON A NUMBER OF KEY THEMES THE MISSION IS WORKING.

COMMENT:

110. MR. FRANCOS VISIT COMES AT A TIME OF ECUADORIAN POLITICAL UNCERTAINTY AND A RECENT CHANGE IN USAID MISSION MANAGEMENT. HIS VISIT RAISED MISSION MORALE, BROADENED AWARENESS OF USG POSITION ON KEY ISSUES AND FOSTERED PRODUCTIVE DIALOGUE ON CONCERNS IMMEDIATELY FACING THE MISSION. KENNEY